

**Children's Cottage Society of Calgary,
An Alberta Society**

Financial Statements

March 31, 2012



Kenway Mack Slusarchuk Stewart LLP
CHARTERED ACCOUNTANTS

Independent Auditors' Report

To: The Members of **Children's Cottage Society of Calgary, an Alberta Society**

We have audited the accompanying financial statements of Children's Cottage Society of Calgary, an Alberta Society, which comprise the statement of financial position as at March 31, 2012 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not for profit organizations, Children's Cottage Society of Calgary, an Alberta Society derives revenue from fundraising, special events and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the foundation and we were not able to determine whether any adjustments might be necessary to assets, revenues, deficiency of revenues over expenses and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Children's Cottage Society of Calgary, an Alberta Society as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Kenway Mack Slusarchuk Stewart LLP

June 14, 2012

Calgary, Alberta

Chartered Accountants

**Children's Cottage Society of Calgary,
An Alberta Society**
Statement of Financial Position

As at March 31,	2012	2011
Assets		
Current assets		
Cash	\$ 766,371	\$ 453,150
Marketable investments (note 6)	-	245,306
Accounts receivable	49,884	26,650
Prepaid expenses	26,404	25,301
	<u>842,659</u>	<u>750,407</u>
Restricted marketable investments (note 4, 6)	2,008,852	1,557,828
Property and equipment (note 8)	34,989	37,381
	<u>\$ 2,886,500</u>	<u>\$ 2,345,616</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 348,413	\$ 303,700
Deferred contributions (note 4)	1,008,852	557,828
Deferred capital contributions (note 5)	15,923	27,663
	<u>1,373,188</u>	<u>889,191</u>
Net Assets		
Unrestricted	494,246	446,707
Invested in capital assets	19,066	9,718
Internally restricted	1,000,000	1,000,000
	<u>1,513,312</u>	<u>1,456,425</u>
	<u>\$ 2,886,500</u>	<u>\$ 2,345,616</u>

Approved by the Board



Director



Director

See accompanying notes to the financial statements

Children's Cottage Society of Calgary,
An Alberta Society
Statement of Operations

For the year ended March 31,

2012

2011

Revenue

Grants (note 10)	\$ 3,774,613	\$ 2,992,749
Donations	788,954	791,243
	<u>4,563,567</u>	<u>3,783,992</u>

Expenses

Program delivery costs

Salaries and benefits - program staffing	3,457,280	2,875,427
Direct program costs	369,524	399,851
Salaries and benefits - administration	198,664	181,524
Facility supplies and maintenance	26,154	40,777
Rent, utilities and insurance	99,351	62,920
Administration expenses	24,286	34,969
	<u>4,175,259</u>	<u>3,595,468</u>

Administration

Salaries and benefits - administration	188,825	96,897
Administration expenses	89,927	80,731
Facility expenses	33,033	13,063
	<u>311,785</u>	<u>190,691</u>

Fund development

Salaries and benefits - fund development	43,827	73,038
Direct fundraising costs	26,305	28,498
	<u>70,132</u>	<u>101,536</u>

Total expenses

	<u>4,557,176</u>	<u>3,887,695</u>
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Investment income

	50,496	144,690
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Excess of revenue over expenses

	<u>\$ 56,887</u>	<u>\$ 40,987</u>
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See accompanying notes to the financial statements

Children's Cottage Society of Calgary,
An Alberta Society
Statement of Changes in Net Assets

For the year ended March 31,

2012

2011

	Invested in capital assets	Internally restricted	Unrestricted	Total	Total
Balance, beginning of year	\$ 9,718	\$ 1,000,000	\$ 446,707	\$ 1,456,425	\$ 1,415,438
Excess of revenues over expenses	-	-	56,887	56,887	40,987
Investment in capital assets	14,701	-	(14,701)	-	-
Amortization of capital assets	(5,353)	-	5,353	-	-
Balance, end of year	\$ 19,066	\$ 1,000,000	\$ 494,246	\$ 1,513,312	\$ 1,456,425

See accompanying notes to the financial statements

Children's Cottage Society of Calgary,
An Alberta Society
Statement of Cash Flows

For the year ended March 31,	2012	2011
Operating activities		
Excess of revenue over expenses	\$ 56,887	\$ 40,987
Items not affecting cash:		
Amortization of property and equipment	17,093	9,806
Amortization of deferred capital contributions	(11,740)	(7,925)
Deferred capital contributions transfer (note 5)	-	(13,112)
Property and equipment transfer (note 5)	-	18,189
Loss (gain) on sale of investments	37	(14,106)
Reinvested dividend income	(41,885)	(57,739)
Unrealized gains on investments	(6,644)	(71,547)
	<u>13,748</u>	<u>(95,447)</u>
Changes in non-cash working capital items:		
Accounts receivable	(23,234)	29,437
Prepaid expenses	(1,103)	(7,183)
Accounts payable	44,713	84,124
Deferred contributions	451,024	155,335
	<u>485,148</u>	<u>166,266</u>
Investing activities		
Purchase of building	(14,701)	(9,497)
Purchase of marketable investments	-	(250,000)
Deferred capital contributions	-	6,943
Proceeds from sale of marketable investments	8,229	257,716
	<u>(6,472)</u>	<u>5,162</u>
Increase in cash	478,676	171,428
Cash, beginning of year	453,150	281,722
Cash, end of year	<u>\$ 931,826</u>	<u>\$ 453,150</u>
Cash		
Restricted (Note 4)	\$ 165,455	\$ -
Unrestricted	766,371	453,150
	<u>\$ 931,826</u>	<u>\$ 453,150</u>

See accompanying notes to the financial statements

Children's Cottage Society of Calgary, An Alberta Society

Notes to Financial Statements

March 31, 2012

1. Nature of operations

The Children's Cottage Society of Calgary, an Alberta Society (the "Society") was incorporated on October 11, 1989 under the Societies Act of the Province of Alberta as a charitable organization. As a registered charitable organization, the Society is exempt from corporate income taxes provided certain disbursement requirements are maintained.

The Society aims to prevent harm and neglect to all children and to strengthen families by providing free support services to at-risk families and children. The programs offered by the Society are Crisis Nurseries, Community Respite Programs, the Healthy Families Program, and the Brenda's House Family Shelter.

Crisis Nurseries

Isolated families who require support in caring for their children during times of stress may come to the Society's Crisis Nurseries for help. Two Crisis Nurseries provide 24 hour / 365 day emergency care for newborns to children eight years of age for stays of up to 72 hours. Children are provided shelter, food, toys and clothing in a safe and welcoming environment, while parents receive non-judgmental support, and referral to other community resources.

The Crisis Nurseries also provide temporary care for infants and toddlers who have been apprehended by Children's Intervention Services from unsafe home situations. Placement at the Crisis Nurseries occurs when foster homes or other alternatives are not available. The length of stay is flexible and based on when suitable, permanent arrangements can be made.

Community Respite Programs

The Community Respite Programs provide in-home infant support and childcare respite services to parents of newborn to six-month-old infants who have no other means of assistance. The Society also coordinates with child care centers throughout the city to provide free short-term child care when parents are in need of daytime relief.

Healthy Families

The Healthy Families Program offers in-home education and support to parents with infants who are assessed as needing assistance to ensure safe children in healthy families. The primary focus is on parent child interaction and developmental milestones.

Brenda's House

The Brenda's House Family Shelter is a transitional shelter and re-housing program for families with children who are currently experiencing homelessness. The program operates in a facility owned by the Brenda Stafford Foundation. The Society and community agency partners work together to provide families with the resources to secure permanent housing as quickly as possible, while also meeting their other goals for health, well-being and development.

Children's Cottage Society of Calgary, An Alberta Society

Notes to Financial Statements

March 31, 2012

2. Significant accounting policies

a) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, disclosures of contingent liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

b) Allocation of expenses

The Society incurs a number of general support expenses that are common to the administration of the organization and each of its programs. Expenditures are recorded on an accrual basis and are charged to the Crisis Nurseries, Community Respite Programs, Healthy Families Program, and Brenda's House Family Shelter according to the activity that they benefit.

The Society allocates its general support expenses by identifying the appropriate basis of allocation for each component expense and applying that basis consistently each year. General support expenses include administrative salaries, information technology, insurance and office supplies which have been allocated proportionately based on the number of full time staff in each program. This basis of allocation is reviewed periodically and may be revised according to circumstances prevailing from time to time.

c) Financial instruments

The Society's financial assets and financial liabilities are classified and measured as follows:

- Cash, restricted cash, marketable investments and restricted marketable investments are classified as held for trading and are measured at fair value. Gains and losses related to periodic measurement are recorded in the statement of operations.
- Accounts receivable are classified as loans and receivables and are initially measured at fair value and subsequently at amortized cost using the effective interest rate method.
- Accounts payable are classified as other liabilities and are initially measured at fair value and subsequently at amortized cost using the effective interest rate method.

The Society has elected to follow recommendations of CICA handbook section 3861 Financial Instruments – Disclosure and Presentation.

Children's Cottage Society of Calgary, An Alberta Society

Notes to Financial Statements

March 31, 2012

2. Significant accounting policies, continued

d) Property and equipment

Property and equipment are recorded at cost. The Society provides for amortization using the estimated useful life as follows:

Assets	Method	Rate
Computer equipment and software	straight-line	3 years
Building	straight-line	10 years
Furniture and office equipment	straight-line	3 years

One-half of a full year's amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal.

e) Revenue recognition

The Society follows the deferral method of accounting for contributions.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions are initially deferred and recognized as revenue in the year in which the related expenses are incurred.

Restricted contributions received for capital assets are initially deferred and recognized as revenue over the useful life of the asset.

Externally restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted and internally restricted investment income is recognized in the month it accrues.

Endowment contributions are recognized as direct increases in net assets.

f) Contributed materials and services

The Society records the value of donated materials and services when the fair value can be reasonably estimated and when the material and services are used in the normal course of the Society's operations and would otherwise have been purchased.

Children's Cottage Society of Calgary, An Alberta Society

Notes to Financial Statements

March 31, 2012

3. Capital management

The Society's objective in managing capital is to ensure that the necessary funding is in place for the Society to undertake its mission of preventing harm and neglect to children, and strengthening families through a network of crises, respite and support services. The Society manages capital through annual budgeting techniques and by continuously monitoring the need for funding of various expenditures. The Society's capital is maintained through revenue generating activities and through funding received from its supporters.

In addition to monitoring expenses and revenues to identify funding requirements, the Society has established funds to cover excesses of expenditures over revenues on an annual basis subject to a restriction that such funds will not be drawn below \$1,000,000 on a market value basis.

The Society's capital is defined as:

	2012	2011
Net assets	\$ 1,513,312	\$ 1,456,425
Deferred contributions	1,008,852	557,828
Deferred capital contributions	15,923	27,663
Total capital	<u>\$ 2,538,087</u>	<u>\$ 2,041,916</u>

Casino and lottery funding is used to fund operating expenditures approved by the Alberta Gaming and Liquor Commission. The Society has met all restrictions imposed by its supporters in the year. All funding received which has not been spent on eligible expenses has been deferred.

4. Restricted assets and deferred contributions

Deferred contributions

Deferred contributions represent unspent donations, grants and fundraising that have been designated by the donor for a specific purpose.

	2012	2011
Beginning balance	\$ 557,828	\$ 402,494
Contributions recognized as revenue in the year	(174,719)	(77,881)
Contributions spent for the purchase of capital assets (see note 5)	-	(6,943)
Contributions repaid in the year	(43,173)	-
Contributions received related to future years	668,914	240,158
Ending balance	<u>\$ 1,008,852</u>	<u>\$ 557,828</u>

Included in deferred contributions is \$710,083 (2011 – \$310,083) of deferred contributions designated by donors to be used for capital purposes.

Children's Cottage Society of Calgary, An Alberta Society

Notes to Financial Statements

March 31, 2012

4. Restricted assets and deferred contributions, continued

Restricted assets

	<u>2012</u>	<u>2011</u>
Marketable investments and cash allocated to meet external restrictions	\$ 1,008,852	\$ 557,828
Internally restricted by Board (see note 6)	1,000,000	1,000,000
	<u>\$ 2,008,852</u>	<u>\$ 1,557,828</u>

5. Deferred capital contributions

Deferred capital contributions represent contributed capital assets and restricted contributions that have been designated by donors for the purchase of capital assets. The changes in the deferred capital contributions balance for the year are as follows:

	<u>2012</u>	<u>2011</u>
Beginning balance	\$ 27,663	\$ 41,757
Capital assets purchased with contributions (see note 4)	-	6,943
Capital assets transfer	-	(13,112)
Amortization	(11,740)	(7,925)
Ending balance	<u>\$ 15,923</u>	<u>\$ 27,663</u>

During 2011, the Society transferred \$18,189 of property and equipment related to Brenda's House to the Brenda Strafford Foundation. The assets had been purchased with deferred contributions in previous years, of which \$13,112 remained as a deferred capital contribution at March 31, 2011. The transfer of assets resulted in non-cash adjustments of \$18,189 to expenses and \$13,112 to deferred capital contributions in the year.

6. Marketable investments

The Society has an investment portfolio, managed in accordance with the Society's investment policy, with a fair market value of \$1,843,397 at March 31, 2012 (2011 - \$1,803,134). The Board may, from time to time, approve a transfer of these funds for general use but will maintain a minimum market value balance of \$1,000,000. During the year, there is \$nil (2011 - \$nil) withdrawn from the investment portfolio for operations.

The Society is exposed to market risk, as 42% of the investment portfolio is invested in equities which are held in an actively traded market.

**Children's Cottage Society of Calgary,
An Alberta Society**

Notes to Financial Statements

March 31, 2012

7. Endowment funds held by The Calgary Foundation

The Calgary Foundation has received cumulative contributions, planned gifts and grants of \$24,848 (2011 – \$26,105) designated by the donors to be retained permanently by the Calgary Foundation for the benefit of the Society. The Society receives income from the Calgary Foundation annually, set at 5% of the market value of the fund, calculated monthly. The Society received in the year \$1,305 (2011 – \$1,262) of revenues from this fund.

8. Property and equipment

	2012		2011	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment and software	\$ 192,711	\$ 190,416	\$ 192,711	\$ 187,973
Building	62,886	36,442	48,185	33,925
Furniture and office equipment	75,050	68,800	75,050	56,667
	\$ 330,647	\$ 295,658	\$ 315,946	\$ 278,565
Net Book Value	\$ 34,989		\$ 37,381	

9. Related party transactions

Crisis Nursery - New Brighton

During 2011, the Society entered into a one-year lease agreement for the New Brighton satellite crisis nursery facility with one of the Society's directors. That director held the house in trust for a limited partnership in which he and another director of the Society each had a 6.67% ownership interest. The total contract value was \$42,000 and amounts were payable on a monthly basis. This lease was on the same terms and conditions as other agreements entered into by the limited partnership. The lease agreement ended in October 2011. The amount of rent expense recognized in the current year under this lease agreement is \$23,100 (2011 – \$17,500).

Brenda's House

The Society exercises significant influence over the Brenda's House program by virtue of its involvement in decision-making regarding this program's financial and operating matters.

Under an agreement with the Brenda Strafford Foundation (the "Foundation"), the Society is responsible for the operation of Brenda's House. The Foundation acts as a charitable agent receiving the funds from the Calgary Homeless Foundation and distributing these funds to the Society and agency partners. These funds support the operating expenses of Brenda's House. The amount of the grant received for the current

Children's Cottage Society of Calgary, An Alberta Society

Notes to Financial Statements

March 31, 2012

9. Related party transactions, continued

year is \$1,038,902 (2011 - \$1,038,930). Of this amount, \$1,038,902 (2011 - \$1,038,930) was recognized as revenue and \$nil (2011 - \$nil) as deferred revenue.

Other

Donations from the Board of Directors and management totaled \$68,617 (2011 - \$61,710) in the year.

10. Operating grants

The operating grants provided by The Government of Alberta Region 3 - Calgary and Area Child and Family Services Authority, The City of Calgary Family and Community Support Services, The United Way of Calgary and Area, and The Brenda Strafford Foundation are required to be spent on approved expenses established by the respective agreements.

11. Commitments

The Society has entered into leases for office premises, which expire November 30, 2012, and Crisis Nursery facilities, which expire October 16, 2014. Rental payments, including estimated operating costs to the expiry of the leases, are as follows:

2013	\$	81,244
2014		40,008
2015		21,671
	\$	<u>142,923</u>

12. Life insurance

The Society is the beneficiary of a life insurance policy. Proceeds from the life insurance policy will be recorded as revenue in the year received. The total policy outstanding as at March 31, 2012 is \$30,000 (2011 - \$30,000).

13. Financial Instruments

The carrying amounts of cash, accounts receivable, and accounts payable approximate their fair values due to the short-term maturity of these instruments.

Marketable investments are recorded at fair value, which is determined directly by reference to published price quotations presented on the broker investment statements.

**Children's Cottage Society of Calgary,
An Alberta Society**

Notes to Financial Statements

March 31, 2012

14. Future accounting changes

Decisions of the Canadian Institute of Chartered Accountants ("CICA") Accounting Standards Board require the Society to choose between reporting under Canadian accounting standards for Not-for-Profit Organizations ("NFPO") or under International Financial Reporting Standards beginning in fiscal 2013. The Society plans to adopt the Canadian accounting standards for NFPO for the year ended March 31, 2013. The new set of standards will incorporate the current CICA handbook sections which are specific to NFPO in conjunction with Canadian accounting standards for private enterprises. The Society is currently reviewing the new set of standards and is assessing the impact on its financial statements.